

James Madison to Thomas Jefferson, October 10, 1814. Transcription: The Writings of James Madison, ed. Gaillard Hunt. New York: G.P. Putnam's Sons, 1900-1910.

TO THOMAS JEFFERSON. MAD. MSS.

Washington, Ocr 10, 1814

Dear Sir Your favor of the 24th Ult: came duly to hand. I learn that the Library Come. will report favorably on your proposition to supply the loss of books by Congs. It will prove a gain to them, if they have the wisdom to replace it by such a Collection as yours. Mr. Smith will doubtless write you on the subject.¹

¹ The library was bought for \$23,950 by act of January 30, 1815.— *History of the Library of Congress*, i., 68, *et seq.*

I have not yet read your last communication to Mr. Monroe on the subject of finance.² It seems

² September 24th. See also his letter of October 15th (*Writings*, 14, 488, 489), to which Madison replied October 23d: "I find that the variance in our ideas relates 1, to the probable quantity of circulating medium. 2 to the effect of an annual augmentation of it. I cannot persuade myself that in the present stagnation of private dealings, & the proposed limitation of taxes, the two great absorbents of money, the circulating sum would amount even to 20 mills. But be this amount what it may, every emission beyond it, must either enter into circulation and depreciate the whole mass; or it must be locked up. If it bear an interest it may be locked up for the sake of the interest, in which case it is a loan, both in substance & in form, and implies a capacity to lend, in other words a disposable

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capital, in the Country. If it does not bear an interest, it could not be locked up, but on the supposition that the terms on which it is recd. are such as to promise indemnity at least for the intermediate loss of interest, by its value at a future day; but this both involves the substance of a loan, to the amount of the value locked up, and implies a depreciation differing only from the career of the old continental currency, by a gradual return from a certain point of depression to its original level. If this view of the subject be in any measure correct, I am aware of the gloomy inferences from it. I trust however that our case is not altogether without remedy. To a certain extent paper in some form or other, will as a circulating medium, answer the purpose your plan contemplates. The increase of taxes will have the double operation of widening the channel of circulation, and of pumping the medium out of it. And I cannot but think that a domestic capital existing under various shapes, and disposable to the public, may still be obtained on terms tho' hard, not intolerable; and that it will not be very long before the money market abroad, will not be entirely shut agst us; a market however ineligible in some respects, not to be declined under our circumstances."— *Mad. MSS.*

clear, according to your reasoning in the preceding one, that a circulating medium, to take the place of a bank or metallic medium, may be created by law and made to answer the purpose of a loan, or rather anticipation of a tax; but as the resource cannot be extended beyond the amount of a *sufficient* medium, and of course cannot be *continued* but by successive re-emissions & redemptions by taxes, resort must eventually be had to loans of the usual sort, or an augmentation of taxes, according to the public exigencies: I say augmentations of taxes, because these absorbing a larger sum into circulation, will admit an enlargement of the medium employed for the purpose. In England where the paper medium, is a legal tender in paying a hundred millions of taxes, thirty millions of interest to the public creditors &c &c, and in private debts, so as to stay a final recovery, we have seen what a mass of paper has been kept afloat, with little if any depreciation.

That the difference in value between the circulating notes and the metals proceeded rather from the rise in the latter than from the depreciation of the former, is now proved by the

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fact, that the notes are, notwithstanding a late increase of their quantity, rising towards a par with the metals, in consequence of a favorable balance of trade which diminishes the demand of them for foreign markets.

We have just received despatches from Ghent, which I shall lay before Congs. to-day.¹ The British sine qua non, excluded us from fishing within the sovereignty attached to her shores, and from using these in curing fish; required a Cession of as much of Maine as wd. remove the obstruction to a *direct* communication between Quebec & Halifax, confirmed to her the Passamaquoddy Islands as always hers of right; included in the pacification the Indian Allies, with a boundary for them (such as that of the Treaty of Greenville) agst the U. S. mutually guarantied, and the Indians restrained from selling their

¹ See *State Papers*, vol. iii., *Foreign Relations*, p. 695.

lands to either party, but free to sell them to a *third* party; prohibited the U. S. from having an armed force on the Lakes or forts on their shores, the British prohibited as to neither; and substituted for the present N. W. limit of the U. S. a line running direct from the W. end of L. Superior to the Mississippi, with a right of G. B. to the navigation of this river. Our ministers were all present, & in perfect harmony of opinion on the arrogance of such demands. They wd. probably leave Ghent shortly after the sailing of the vessel just arrived. Nothing can prevent it, but a sudden change in the B. Cabinet not likely to happen, tho' it might be somewhat favored by an indignant rupture of the negotiation, as well as by the intelligence from this Country, and the fermentations taking place in Europe.

I intended to have said something on the changes in the Cabinet, involving in one instance, circumstances of which the public can as yet very little judge, but cannot do it now.

The situation of Sacketts Harbour is very critical. I hope for the best, but have serious apprehensions.

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With truest affection always yrs.